



# Environmental Fact Sheet

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## Commuter Choice: Information for Employees

*Increase your income and your transportation options to and from work while doing your share to reduce congestion and air pollution. Ask your employer about Commuter Choice!*

### What is Commuter Choice?

Commuter Choice programs can provide employees with more ways to get to work and more help in paying for it. Commuters also save money on gas, oil, and tolls. Less time is wasted in traffic, and less wear and tear extends the life of a car. Commuter Choice does not limit employees that desire or need to continue driving.

Commuter Choice provides a framework for employers to offer their employees transportation options in commuting to and from work, such as:

- The ability to pay for commuting expenses with pre-tax income (thus reducing your taxes!).
- Free or reduced cost passes for public transportation, such as subway cards, bus tokens, or train tickets.
- Transit and vanpool vouchers for independent services.
- Services to facilitate carpooling and vanpooling such as providing vans, ridematching, and a guaranteed ride home.
- Telecommuting options (so you can work at home more often).
- Proximate Commuting: a program that matches employees of multi-site employers (such as banks or chain stores) to the branch office nearest their home.

- Incentives to bike or walk.
- Parking Cash Out: you can trade parking space for cash or other benefits.

## **Saving Money**

Employees can save money with Commuter Choice Programs in one of three ways:

### **1. In Addition to Compensation/Additional Benefit**

You may receive the benefit *in addition to* current wages. Specifically, you can receive transit, vanpool, and parking benefits *completely free of all U.S. payroll and Federal income taxes*. Your employer pays for the benefit and receives a deduction from his Federal business income taxes for the value of that benefit. The employer also does not pay payroll related taxes or costs on the benefit.

### **2. In Lieu of Compensation/Pre-tax Benefit**

Your employer may permit you to *set aside some of your income, before taxes*, to pay for your commutes. You may use this pre-tax income to pay for transit, vanpools, or parking. You would not pay Federal income taxes or payroll taxes on the amount they elect to set aside for the commute option, and your employer would not pay U.S. payroll taxes or other payroll related costs since the amount is treated as a benefit rather than as taxable salary.

### **3. Cost-Sharing**

Your employer may *share the cost of commuting* to and from work with you. They could do this through a combination of the two benefits.

**Under the new tax law, employers can offer the specified benefits for their employees' work commutes in addition to or in lieu of compensation *Federal-tax-free* up to these limits:**

- Up to \$175 per month for parking at or near work site and transit facilities
- Up to \$65 per month for public transit
- Up to \$65 per month for vanpool services

(For transit and vanpooling, this amount will increase to \$100/month for taxable years beginning after December 31, 2001.)

**Parking  
Cash Out**

Parking Cash Out allows employers who provide parking to offer you the option of receiving cash, or other qualified benefits, instead of a parking space. You can keep the money and carpool or use it to pay for other transportation. Or, you can choose to keep the Federal-tax-free parking space. Only if an employee accepts the cash option is the benefit taxable as income for that employee.

**Proximate  
Commuting**

For multi-site work locations, such as banks and fast food chains, this can be a very effective strategy. Many employees of multi-site businesses do not work in the branch closest to where they live. Proximate commuting matches new and existing employees to work sites closer to their homes and allows them to trade places.

**Air Quality  
and  
Congestion**

Free parking at work leads to more driving at times of the day when most of us are already on the road. In addition to creating congestion, emissions from tailpipes are a big contributor to urban smog. Additionally, emissions from automobiles are a major source of greenhouse gases that warm the atmosphere and contribute to the threat of climate change. Commuter Choice programs help reduce air pollution and other negative environmental effects from solo-driving.

**Satisfaction**

The experience of many participating employers in Commuter Choice programs has been uniformly positive. Programs have achieved high satisfaction rates from employers and are well appreciated by employees.

**For More  
Information**

This document and additional information on transportation and air quality are available electronically at the TRAQ Center on the EPA Internet server at:

<http://www.epa.gov/oms/traq>

For a hard copy of this document, call the National Service Center for Environmental Publications (NSCEP) at (800) 490-9198.

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